

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 033707

E.O. 11652: GDS

TAGS: ETRD, KS, RP, TH, TW

SUBJECT:COTTON CONTRACTS AND GSP

1. DURING DEBATE ON TRADE ACT ON SENATE FLOOR, SENATOR FANNIN RAISED COTTON CONTRACT PROBLEM AND INQUIRED FROM SENATOR LONG WHETHER PROVISION THAT GSP BENEFICIARY HAS TO PROVIDE EQUITABLE AND REASONABLE ACCESS TO ITS MARKETS (SECTION 502 (C) (4) WOULD NOT BE VIOLATED BY CANCELLATION OF COTTON CONTRACTS. SENATOR LONG REPLIED IN THE AFFIRMATIVE.

2. LAWYER ON BEHALF OF ROC AND ROK EMBASSIES CONTACTED DEPARTMENT OFFICER INQUIRING WHETHER DEPARTMENT LEGAL INTERPRETATION OF ACT SUPPORTS VIEWS OF SENATOR LONG. WE REPLIED THAT WE HAVE MADE NO DEFINITIVE LEGAL RULING
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BUT THAT REGARDLESS OF PROVISIONS IN CITED SECTION, WE

BELIEVE PRESIDENT HAS AUTHORITY UNDER ACT TO WITHHOLD GSP IF HE SO WISHES. WE WENT ON TO SAY THAT WE HAVE BEEN IN DISCUSSIONS WITH GOVERNMENTS WHERE COTTON CONTRACTS HAVE BECOME A PROBLEM AND WHILE WE HAVE BEEN DISAPPOINTED AT SLOW PROGRESS IN RESOLVING PROBLEM, WE HOPE THAT WE WILL BE ABLE TO DO SO SHORTLY, PARTICULARLY WITH ROC AND ROK. WE ADDED THAT WE HAVE GIVEN THOUGHTS TO VARIOUS MEASURES THROUGH WHICH WE CAN INDUCE COMPLIANCE WITH

COTTON CONTRACTS AND AMONG THOSE WE HAVE NOT OVERLOOKED GSP DENIAL. CONCLUDED THAT WHILE WE ARE NOT CURRENTLY CONTEMPLATING MAKING USE OF THIS AUTHORITY, WE HAVE ALSO NOT RULED OUT ITS USE.

3. FYI. DENIAL OF GSP WAS ONE OF OPTIONS DEALING WITH COTTON CONTRACT PROBLEMS SUBMITTED BY DEPARTMENT TO WHITE HOUSE. WE SEE MANY SERIOUS OBJECTIONS TO ITS USE AND STRONGLY HOPE THAT WE WILL NOT BE PUT UNDER CONGRESSIONAL PRESSURE TO USE IT. HOWEVER, WE WOULD NOT WISH TO LET IT BE KNOWN AT THIS TIME TO COTTON RECIPIENTS THAT WE HAVE RULED OUT ITS APPLICATION. END FYI. INGERSOLL

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